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George L. Casler and Eddy L. LaDue

Department of Agricultural Economics
New York State College of Agricultural and Life Sciences
A Statutory College of the State University
Cornell University, Ithaca, New York 14853

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The New York Tax Reform and Reduction Act of 1987 (NYTRRA 1987) was signed into law in April 1987. The law was primarily a response to the Federal Tax Reform Act of 1986 (TRA 1986) which would have produced a "tax windfall" to New York, as well as to many other states, if the state's tax law had not been changed. The reason for this is that New York income is largely based on the Federal definition of adjusted gross income (with some New York adjustments). Therefore, for example, when TRA 1986 eliminated the 60 percent capital gain exclusion, which increased Federal adjusted gross income, New York incomes for those taxpayers with capital gains were automatically increased unless a change was made in New York law. New York could have chosen to retain the capital gain exclusion as well as other tax saving provisions of prior Federal law but chose to largely conform with TRA 1986 and reduce the windfall gradually by substantially lowering rates and increasing the standard deduction between 1986 and 1991. New York also chose to eliminate investment credit (IC) for individuals beginning in 1989 which will tend to increase tax bills of persons such as farmers who have been using IC to reduce their tax bills. (See page 25 for the effect of a later change in the New York tax law relative to investment credit.)

The purpose of this paper is to assess the impact of NYTRRA 1987 on taxes likely to be paid by dairy farmers in New York. Two of the major tax law changes that are likely to increase New York taxes paid by dairy farmers are the elimination of the 60 percent capital gain exclusion and the New York investment credit. However, in order to study the impact of the demise of these provisions, it is necessary to incorporate the changes in both Federal and New York tax laws that affect taxes paid by dairy farmers. Before analyzing the effects of the two laws, 1985 tax data for the farms studied will be presented.

1985 Results For Farms Studied

The data used in the analysis are from a sample of 120 dairy farmers whose tax returns were prepared by the Farm Credit Service in 1985. No partnerships or corporations were included. Pertinent data from the 1985 tax returns for the average of the 120 farms are shown in Table 1.

New York State income tax computation is a rather complicated procedure, part of which can be seen in Table 1. New York Adjustments were in general the same as Federal adjustments, except that the Federal Schedule W adjustment (for married couples who each have earned income) was not allowed for couples who filed separate New York tax returns. The New York additions and subtractions are too numerous to fully cover here, but the two major items in the data reported are the addition of the Federal ACRS deduction (depreciation under the accelerated cost recovery system on items acquired in 1982 through 1984) which is not allowed on New York returns and the subtraction of New York depreciation taken in lieu of the ACRS deduction.

The New York deduction was the greater of the itemized deduction or standard deduction ($2,750 if married or $2,500 if single) on each return. Each exemption was $850 in 1985.

A family adjustment that applied to taxpayers with incomes below given levels was subtracted in computing New York taxable income. Tax was then computed using the appropriate table depending on filing status. A tax on the family adjustment, if any, was then added to compute "tax before credits". There are several possible credits (other than investment credit). Several farms in this study used the household credit, resident credit (for tax paid to other states which reduces the NY tax but doesn't reduce the total income tax bill) and the child care credit.

Table 1. Income and Taxes, Average of 120 New York Dairy Farms, 1985

	Average of 120 farms	Number with item
Wages	$4,294	80
Interest	1,414	109
Dividends	294	34
Business income (Schedule C)	390	10
Capital gain (after 60% exclusion)	3,626	119
4797	1,535	74
Farm Income	-478	120
All other*	-2,480	--
Total (line 18, IT-201)	8,597	120
Minus: Adjustments	525	37
Total Income	8,072	120
Plus: New York Additions**	13,645	115
Minus: New York Subtractions***	11,789	116
Total New York Income	9,928	120
Minus: New York deduction	3,644	120
Exemptions	3,095	120
New York Net Income	3,189	120
Minus: Family Adjustment	1,460	70
New York Taxable Income	1,729	120
State Tax	562	88
Plus: Tax on family adjustment	38	70
Tax before credits	600	81
Minus: Household credit	18	57
Resident Credit	4	3
Child care credit	0	2
Tax before investment credit	578	81
Minus: Investment credit	393	78
Tax after credits	185	20
Plus: Minimum tax	83	50
Total New York Tax	268	60

*The negative number is due to carryforward of Net Operating Losses from previous years on several farms which more than offsets other income such as rents, etc.

**Primarily the Federal ACRS not allowed in New York.

***Primarily New York depreciation used instead of ACRS.

expenses of raising replacements (or the even longer depreciation periods on all assets acquired in 1987 and later if the farmer elects not to capitalize), (3) investment credit carryovers that could be used to offset taxes until such carryovers run out and (4) lower rates and higher standard deductions and personal exemptions. While the depreciation and/or capitalization changes will be important during the transition period, in the long run (referred to as equilibrium) these changes will not affect taxable incomes because depreciation or expenses not taken now will be taken later.

New York Tax Law Changes

The items from the New York State Tax Reform Act of 1987 that were included in this analysis are:

1. Elimination of New York investment credit for items acquired after 1988.

2. Elimination of separate filing of New York returns for married couples who both have income and filed joint Federal returns.

3. Elimination of the family adjustment, child care credit, tuition deduction, and the household credit.

4. Increase of the personal exemption from $850 to $1,000. Exemptions are not counted for the filer and spouse.

5. Increase of the standard deduction to $13,000 for married couples filing jointly and $7,500 for separate filers.

6. Rate schedule:

Married filing jointly:

Taxable income	Rate
Not over $27,000	5.5%
Over $27,000	7.0%

Single filers:

Taxable income	Rate
Not over $12,500	5.5%
Over $12,500	7.0%

Future New York State Income Tax based on 1985 Incomes

Income tax liabilities were calculated for the 120 Dairy Farms with TRA 1986 and NY TRRA 1987, assuming that the income on each farm was the same as in 1985 (Table 3). These calculations represent the results after the transition period. Both laws are fully phased in and the new rules are fully effective. This is referred to as equilibrium.

The major change that affects income is that the 60 percent capital gain exclusion would not apply and therefore capital gain income (primarily from raised dairy cattle) would be 100% taxed as ordinary income. This is due to the change made by TRA 1986 that automatically carried over to New York and was let stand by NY TRRA 1987.

The average "regular" tax before investment tax credit was $578 per farm. An average investment credit of $393 was used, leaving an average regular tax after credits of $185 per farm. New York has a minimum tax on tax preference items (such as the 60% capital gain exclusion). Fifty of the 120 farms were subject to the minimum tax. The average minimum tax paid by the 120 farms was $83. Regular tax plus the minimum tax resulted in a average total income tax of $268 per farm. The average total tax on the 60 farms that paid tax was $536.

Table 2 shows the distribution of Regular 1985 tax before investment credit, investment credit used in 1985, regular income tax in 1985 after credits, 1985 minimum tax and 1985 total tax (regular tax plus minimum tax) and investment credit carryover to 1986. One-third of the 120 farms had no regular tax before investment credit due to low taxable incomes and/or credits other than investment credit (Table 2). Many of the other two-thirds were able to reduce the regular tax with investment credit so that the tax after IC was zero. Eighty-three percent had a regular tax after IC of zero and all had a regular tax under $4,000. Minimum tax which cannot be offset with IC was paid by 41 percent of the farms. Half the farms paid a total tax comprised of either regular tax after IC, minimum tax or both. The other half paid no NY income tax in 1985. Investment credit carryovers were substantial on many farms, particularly those with relatively low regular tax before credits. However, 17 percent had no IC carryover to 1986.

Table 2. Distribution of New York Income Taxes and Credits, 120 New York Dairy Farms, 1985

Dollars	Tax before IC	IC Used	Tax After IC	Minimum Tax	Total Tax	IC Carryover
			---- Percent of farms ----			
Zero	33	35	83	58	50	17
$1 to $ 999	45	52	10	41	42	11
$1,000 to $1,999	14	10	3	1	4	8
$2,000 to $2,999	4	1	3	0	3	10
$3,000 to $3,999	3	2	1	0	1	8
$4,000 to $4,999	1	0	0	0	0	7
$5,000 or more	0	0	0	0	0	39
			---- Dollars ----			
Average per farm	578	393	185	83	268	4,365

EQUILIBRIUM

This part of the report explores the tax effects that would occur when both the state and Federal tax laws are fully phased in and "equilibrium" has been reached. Later sections consider some of the New York tax effects during the transition period from the former tax laws to the new laws passed in 1986 and 1987 and some factors affecting income taxes and credits.

The major impacts on New York income taxes paid by New York dairy farmers during the transition period will be due to (1) longer depreciation periods or most assets acquired in 1987 and later (2) capitalization of preproductive

The capital gain exclusion would no longer be a tax preference item subject to the New York minimum tax. As a result none of the 120 farms would have a minimum tax liability. A few would have tax preference items other than the capital gain exclusion but such preference items would be less than the specific deduction on each of the 120 farms.

The $200 dividend exclusion would no longer apply and thus would increase taxable incomes on some farms. The adjustments shown in Table 3 are the IRA and Keogh deductions allowable under the Federal TRA 1986. The limitation on IRA deductibility in TRA 1986 affected only one farmer.

New York additions and subtractions are the same as those found on the 1985 returns except that the Federal ACRS additions and the New York depreciation subtractions have been eliminated because in equilibrium Federal and state depreciation would be the same, and thus, the Federal depreciation can be used.

New York deductions are either (1) the standard deduction or (2) itemized deductions if they exceeded the standard deduction (this occurred on only two farms). The deduction for two earner couples is the amount allowed under the NY TRA of 1987. The only credit used was the resident credit for taxes paid to states other than New York.

Table 3. Estimated New York Income taxes paid under Federal TRA 1986 and NY TRRA 1987, average of 120 New York Dairy Farmers, Equilibrium

1985 Total (line 18, IT 201, from table 1)	$ 8,597
Plus: 60% capital gain exclusion	5,389
Dividend exclusion	33
Total	14,019
Minus: Adjustments	481
Total Income	13,538
Plus: New York additions	89
Total	13,627
Minus: New York subtractions	226
Total New York Income	13,401
Minus: New York deductions	12,891
New York exemptions	1,683
New York taxable income	-1,173
Income tax before credits*	431
Resident credit	3
New York income tax after credits	428

*The average tax is positive even though the average taxable income is negative because there is a tax on positive incomes but a zero tax on negative incomes.

The distribution of New York income tax after credits is shown in Table 4. In equilibrium, forty-two percent of the 120 farms have a zero tax. An additional 43 percent have a tax under $1,000. More farms have a tax bill between $1,000 and $2,000 and less have a zero tax bill than in 1985. The average tax paid by these 120 farms increased from $268 in 1985 to $428 in

equilibrium. Although the absolute amount of tax to be paid by the average farmer is modest, the change in the tax laws results in a 60 percent increase in the average tax bill.

Table 4. Distribution of New York Income Tax after Investment Credit in 1985 and Equilibrium, 120 New York Dairy Farms

Amount of Tax after credits	1985	Equilibrium
	---- Percent of farms ----	
Zero	50	42
$1 to $ 999	42	43
$1,000 to $1,999	4	12
$2,000 to $2,999	3	2
$3,000 to $3,999	1	1
	---- Dollars ----	
Average	268	428

The Effect of Loss of New York Investment Credit

To estimate the effect of loss of New York investment credit due to the NY TRRA 1987, calculations were made of the amount of investment credit (IC) that would be obtained on each farm on the average acquisitions that were eligible for investment credit in 1981-1985. This credit was applied to the tax calculated under NY TRRA 1987 (equilibrium) to obtain a net tax.

The averages and distributions of taxes and credits based on IC on 1981-85 acquisitions are shown in Table 5. The average investment credit that would be earned is $1,144. The average amount of this investment credit that could have been used against "equilibrium" tax is $319 leaving an average tax after IC of $109. The IC used represents the effect of the loss of NY investment credit on taxes paid by these taxpayers. Seventy-seven percent of the farms would have zero New York income tax after investment credit and an additional 21 percent would have a tax of less than $1,000 if IC was not discontinued.

Higher Profitability

The data used in the preceding analysis is based on the level of profitability of dairy farming that existed in 1985. Dairy farming was more profitable in the early 1980's. Should profitability return to the early 1980's levels, farm incomes, and thus, taxable incomes, would be higher. The higher incomes of the early 1980's were caused by either lower costs or higher milk prices, or both.

Table 5. Distribution of Taxes and Credits if Investment Credit were Retained, 120 New York dairy farms, Equilibrium

Amount of ITC	IC Earned*	Tax before IC	IC Used	Tax after IC
		---- Percent of farms ----		
Zero	0	42	42	77
$1 to $ 999	57	43	51	21
$1,000 to $1,999	32	12	6	2
$2,000 to $2,999	5	2	0	0
$3,000 to $3,999	3	1	1	0
$4,000 to $4,999	0	0	0	0
Greater than $5,000	1	0	0	0
		---- Dollars ----		
Average of 120 farms	1,144	428	319	109

*Based on average 1981-85 acquisitions.

When the effect of the different levels of costs and different milk prices are combined into an equivalent change in the price of milk, the average profitability of dairying during 1981-85 can be represented by a 5 percent higher milk price than in 1985. Prices and costs experienced in 1981 and 1982 can be represented by a 10 percent higher milk price than in 1985.

The higher prices are more likely to result in investment levels similar to the average of 1981-85 than to 1985 alone. Thus, the ITC assumed to be available for tables 7 and 8 represents average 1981-85 experience.

Higher profitability than in 1985 would result in higher taxes before investment credit (Table 6). If IC were continued, more investment credit would be used at higher levels of profitability (Table 7). Tax after investment credit would also increase with higher profitability but not nearly as much as the increase in tax before IC (Table 8).

Table 6. Distribution of Tax Before Credits by Profitablilty Levels, 120 New York Dairy Farms, Equilibrium

Tax Before Credits	Profitability Level		
	1985	5% Higher Milk Prices	10% Higher Milk Prices
		--- Percent of Farms ---	
Zero	42	27	18
$1 to $ 999	43	43	33
$1,000 to $1,999	12	22	33
$2,000 to $2,999	2	6	7
$3,000 to $4,000	1	2	9
Average Tax before Credits	$428	$758	$1,141

Table 7. Distribution of Investment Tax Credit Used by Profitability Levels, 120 New York Dairy Farms, Equilibrium

Investment Tax Credit Used	Profitability Level		
	1985	5% Higher Milk Prices	10% Higher Milk Prices
	--- Percent of Farms ---		
Zero	42	27	19
$1 to $ 999	51	59	64
$1,000 to $1,999	6	12	13
$2,000 or more	1	2	4
Average Investment Tax Credit Used*	$319	$503	$656

*IC used if IC were continued rather than discontinued.

Table 8. Distribution of Tax After Investment Tax Credit by Profitability Levels, 120 New York Dairy Farms, Equilibrium

Tax After Credits	Profitability Level		
	1985	5% Higher Milk Prices	10% Higher Milk Prices
	--- Percent of Farms ---		
Zero	77	64	48
$1 to $ 999	21	27	35
$1,000 to $1,999	2	7	10
$2,000 to $2,999	0	2	7
Average Tax After Credits	$109	$255	$485

THE TRANSITION PERIOD

The first part of this paper concentrated on the "equilibrium" situation where the effects of NYTRA 1987 and TRA 1986 were fully phased in. This means somewhere beyond 1991 because provisions of NYTRA 1987 are not fully implemented until that year. Equilibrium would be a number of years beyond 1991 because the effects of items such as longer depreciation periods and loss of investment credit do not become fully effective until all items are on the new depreciation schedule and IC carryovers are fully used up.

The major emphasis in this section is on 1989, which is the year that New York investment credit would no longer be earned on newly acquired items. However, investment credit carried over from previous years could still be applied to New York income tax in 1989 and later years (until carryover is exhausted). In order to estimate IC carryovers to 1989, it was necessary to make estimates of income, income taxes, investment credit on new acquisitions and investment credit used each year in 1986, 1987 and 1988.

Assumptions and Rule Changes Used

To calculate the annual taxes for future years a number of assumptions were made. The tax rules differed from year to year as the new tax rules were phased in.

Assumptions

1. All sources of income other than net farm profit and Schedule D items (capital gains) were the same as in 1985 for each year 1986 through 1989.

2. Farm income and expenses on each farm were the same in 1986 through 1989 as in 1985 except for depreciation.

3. Depreciation was the same in 1986 as in 1985.

4. Depreciation for 1987, 1988 and 1989 on items acquired in 1987 and later reflects the use of the Federal alternative depreciation system (ADS) that is required in 1987 and later by farmers who chose not to capitalize preproductive expenses such as the cost of growing dairy replacements. Based on earlier work by Conrad it was judged that election of ADS would result in lower Federal taxes than would using the modified accelerated cost recovery system (MACRS) and capitalizing the cost of raising replacements. Acquisitions of depreciable assets on each farm in 1987, 1988 and 1989 were assumed to be equal to the average on each farm for 1981-85.

5. Investment credit earned on each farm each year, 1986 through 1988, was assumed to be equal to six percent of the average 1981-1985 acquisitions (see 5 above) excluding 3 year property (cars and pickups).

6. New York depreciation is assumed to equal the depreciation taken for Federal taxes beginning in 1987. While for most farms, the Federal ACRS was initially greater than the New York depreciation, at some point on each farm the reverse will be true and in the longer run the difference will be zero.

Tax Rules

The New York tax rates change each year from 1986 through 1991 (see Appendix Tables 1 and 2 for rate schedules for 1987 through 1989). The standard deduction and the value of each personal exemption for each year 1985-1990 are the amounts shown below:

	Year					
	1985	1986	1987	1988	1989	1990
	------- Standard deduction ($) -------					
Tax Status						
Single	2500	2600	3600	5000	6000	7500
Joint	2750	3000	5300	8500	9500	13,000
	---------- Exemption ($) ----------					
	850	850	900	1000	1000	1000

Beginning in 1987, an exemption is not counted for either the filer or the spouse. This makes the increase in the standard deduction from 1986 to 1987 somewhat misleading. Most of the increase is offset by the loss of one exemption for a single filer and two exemptions for joint filers.

The household credit was increased in 1986 (from the 1985 level) and will remain at the 1986 level through 1989. In 1990 it will be cut in half and in 1991 it will disappear. The child care credit remains until 1988 but will be eliminated in 1989.

The option to file separately on the same return for those who filed jointly for Federal purposes is eliminated beginning in 1987. In 1987 only, there will be a deduction of 10 percent of the lower spouses earned income (up to maximum deduction of $3000) similar to the Federal Schedule W adjustment eliminated by TRA 1986. The family adjustment and the tax on the family adjustment are eliminated beginning in 1987.

The 60% capital gain exclusion was in effect in 1986 but not in 1987 and later years. New investment credit will be earned in 1986-88. All investment tax credit earned prior to 1989 can be carried forward indefinitely. New York investment tax credit carried forward is not reduced in value (unlike the carryforward of Federal ITC under TRA 1986).

Effect of Tax Reform on Taxes Paid During Transition Years, 1986-1989

As shown in Table 9, the projected tax before IC, IC used and tax after credits were all lower in 1986 than the actual 1985 figures. This is due to a combination of lower tax rates at higher income levels, increased family adjustment and increased household credit for 1986 compared to 1985. Average total tax was less in 1986 than in 1985.

Table 9. Income tax before IC, IC used, tax after IC and IC carryover, average of 120 New York Dairy Farms, 1985-1989

	Actual	Projected			
	1985	1986	1987	1988	1989
NY taxable income	$1729	$1216	$8376	$6620	$7277
Regular Tax before IC	578	512	693	576	672
IC used	393	349	534	439	344
Tax after Credits	185	163	159	137	328
Plus: Min. tax	83	83	NA	NA	NA
Total Tax	268	246	159	137	328
IC carryover to next year	4365	5114	5680	6339	5958

In 1987 the regular tax before IC was higher than in 1985 primarily due to (1) 100% of capital gain is included in taxable income, and (2) lower depreciation due to the longer depreciation periods required under federal law, which more than offset the higher NY standard deduction and exemption and the lower NY rates.

The average farm used more IC in 1987 than in 1986, due to higher tax before IC. The average regular tax after credits was higher than in 1986. There was no minimum tax because the 60% capital gain exclusion was no longer a factor in computing the minimum tax. The elimination of minimum tax more than offset the higher regular income tax resulting in a lower total tax than in 1986.

In 1988, the increase in the NY standard deduction and exemptions, combined with the lower tax rates more than offset the effect of lower depreciation and resulted in a lower average tax before IC, IC used and tax after IC than in 1987.

In 1989, the average tax before IC increased from 1988 due to a substantial drop in depreciation as more items are depreciated over longer periods which more than offset the benefits of lower tax rates and higher standard deductions. Investment credit used declined from 1988 because there is no new IC earned in 1989 and some farms with a tax before IC did not have sufficient carryovers to offset all or a substantial part of the tax.

The amount of investment credit carryover continued to increase from 1985 to 1988 because the average farm earned more investment credit than could be used to offset tax. Some farms used none of the new IC earned. In 1989, with no more new IC earned, the average IC carryover decreased. This will continue in years after 1989. On the average farm, the IC carryover would run out in 18 years (2007) if the amount used each year was equal to that used in 1989, $344, and the tax before credits continued at the 1989 level. However, the average is misleading because on farms with substantial tax bills and little or no IC carryover, the carryovers will run out in or soon after 1989 while on farms with low or zero tax bills and large carryovers, the IC will last for many, many years.

Distributions of tax before investment credit, IC used, tax after credits and IC carryover to the following year are shown in Tables 10 through 13 for 1986, 1987, 1988, and 1989.

In 1986, when the minimum tax is still a factor, 48 percent of the 120 farms have zero tax after credits and 46 percent have a tax (regular plus minimum) of less than $1,000 (Table 10). The average tax after credits is $246 per farm.

In 1987 and 1988, about 30 percent of the farms have no tax before investment credit (Tables 11 and 12). About 80 percent of the farms have no tax after investment credit. Therefore, the investment credit reduces the tax bill from positive to zero on about 50 percent of the 120 farms in each year. The investment credit is important in reducing the tax bill on most of the farms that had a positive tax before credits.

In 1989, the first year with no new IC under NYTRA 1987, 30 percent of the farms had no tax liability before credits (Table 13). In contrast to 1988 when 81 percent of the farms had a zero tax after IC, 76 percent had a zero tax after IC in 1989. This reflects the fact that on farms with a consistently high tax

before credits, the IC carryover balance is low or zero and therefore there is little or no IC to use against 1989 tax. This trend will continue in 1990 and later when more and more of the farms find their IC carryovers exhausted.

Table 10. Distribution of New York Taxes and Credits, 120 New York Dairy Farms, 1986

Amount	Tax before IC	IC Used	Tax after IC	IC carryover to 1987
Dollars	----	Percent of Farms	----	
Zero	26	40	48	18
$1 to $ 999	54	50	46	8
1,000 to 1,999	13	8	4	7
2,000 to 2,999	3	0	2	5
3,000 to 3,999	3	2	0	10
4,000 to 4,999	1	0	0	7
5000 to 9,999	0	0	0	33
10,000 to 19,999	0	0	0	10
20,000 or more	0	0	0	2
		-----	Dollars -----	
Avg. of 120 farms	595*	349	246	5,114

*Includes regular tax of $512 and minimum tax of $83.

Table 11. Distribution of New York Taxes and Credits, 120 New York Dairy Farms, 1987

Amount	Tax before IC	IC Used	Tax after IC	IC carryover to 1988
Dollars	----	Percent of Farms	----	
Zero	29	30	81	18
$1 to $ 999	47	55	15	8
1,000 to 1,999	17	11	2	4
2,000 to 2,999	3	1	1	5
3,000 to 3,999	2	1	1	12
4,000 to 4,999	2	2	0	3
5000 to 9,999	0	0	0	35
10,000 to 19,999	0	0	0	12
20,000 or more	0	0	0	3
		-----	Dollars -----	
Avg. of 120 farms	693	534	159	5,680

Table 12. Distribution of New York Taxes and Credits, 120 New York Dairy Farms, 1988

Amount	Tax before IC	IC Used	Tax after IC	IC carryover to 1989
Dollars	----	Percent of Farms	----	
Zero	31	32	81	19
$1 to $ 999	49	55	15	7
1,000 to 1,999	13	10	2	6
2,000 to 2,999	4	2	1	3
3,000 to 3,999	2	1	1	7
4,000 to 4,999	1	0	0	7
5000 to 9,999	0	0	0	31
10,000 to 19,999	0	0	0	16
20,000 or more	0	0	0	4
		----- Dollars -----		
Avg. of 120 farms	576	439	137	6,339

Table 13. Distribution of New York Taxes and Credits, 120 New York Dairy Farms, 1989

Amount	Tax before IC	IC Used	Tax after IC	IC carryover to 1990
Dollars	----	Percent of Farms	----	
Zero	30	49	76	24
$1 to $ 999	49	41	13	7
1,000 to 1,999	13	7	5	3
2,000 to 2,999	3	1	2.5	3
3,000 to 3,999	4	2	2.5	9
4,000 to 4,999	1	0	1	6
5000 to 9,999	0	0	0	29
10,000 to 19,999	0	0	0	14
20,000 or more	0	0	0	4
		----- Dollars -----		
Avg. of 120 farms	672	343	328	5,958

Increased Dairy Farm Profitability

If dairy farm profitability increases in the future, taxable incomes of dairy farmers would be expected to increase, leading to increased tax before credits. This would be expected to result in using up more investment credit and therefore less IC carryover that could be used in 1989 and later when new investment credit would not be available. The possibility of increased profitability of dairy farming is considered in this section.

Available data on milk prices and the index of prices paid indicate that the profitability of New York dairy farming in 1986 was lower than in 1985 (this does not account for any changes that dairymen made in 1986 that would change the profitability from 1985). Data currently available on milk prices and the index of prices paid suggest that the profitability of dairy farming in 1987 will not be much different than in 1985 unless farmers make changes in their operations. Based on the 1986 and 1987 data, it was decided not to consider changes in dairy profitability in the 1986 and 1987 tax calculations.

Whether the profitability of dairy farming in 1988 and 1989 will be lower or higher is unknown. However, because of the effect of higher profitability on taxes before and after IC, the effect of a five percent higher level of milk prices in these two years was analyzed. Actually, this could be the result of a combination of changes in milk prices and input prices that would produce a net result equal to a five percent increase in milk prices.

The results are shown in Tables 14 and 15. As expected, in both 1988 and 1989, the average tax before credits, the IC used, and the tax after credits are all higher with higher profitability. In each case, the IC carryover to future years is lower than if dairy farming were less profitable. The percent of farms with zero tax after IC is lower in each year than with the 1985 level of profitability. The percent of farms with zero carryover of IC to future years increases in both years. For example 32 percent of the farms have zero carryforward from 1989 compared to 24 percent if profitability stayed at the 1985 level. For the average farm investment credit would be exhausted in 10 years instead of the 18 required with the 1985 level of profitability.

Table 14. Distribution of New York Taxes and Credits, with 5 percent higher milk prices than in 1985, 120 New York Dairy Farms, 1988

Amount	Tax before IC	IC Used	Tax after IC	IC carryover to 1989
Dollars	----	Percent of Farms	----	
Zero	22	22	77	23
$1 to $ 999	40	52	13	8
1,000 to 1,999	24	18	6	3
2,000 to 2,999	8	4	2	3
3,000 to 3,999	3	2	1	9
4,000 to 4,999	2	2	1	6
5000 to 9,999	1	0	0	30
10,000 to 19,999	0	0	0	14
20,000 or more	0	0	0	4
		-----	Dollars -----	
Avg. of 120 farms	997	725	272	6,054

Table 15. Distribution of New York Taxes and Credits, with 5 percent higher milk prices than in 1985, 120 New York Dairy Farms, 1989

Amount	Tax before IC	IC Used	Tax after IC	IC carryover to 1990
Dollars	----	Percent of Farms	----	
Zero	21	43	68	32
$1 to $ 999	33	35	9	2
1,000 to 1,999	31	17	14	2
2,000 to 2,999	8	2	3	7
3,000 to 3,999	3	1	3	9
4,000 to 4,999	3	2	2	6
5000 to 9,999	1	0	1	27
10,000 to 19,999	0	0	0	11
20,000 or more	0	0	0	4
		----- Dollars -----		
Avg. of 120 farms	1,081	535	546	5,480

The Importance of Investment Credit on Farms with Positive Tax Liability before IC

The data in Table 16 show the amount of investment credit used in 1989 according to the level of 1989 tax before credits. Thirty percent of the farms are projected to have no tax before credits in 1989 and these would use no investment credit. Forty-nine percent of the farms had a tax liablity before investment credit of less than $1,000 and 81 percent of these were able to offset part or all of this with IC. The other 19 percent had no IC carryforward to use against this tax.

Thirteen percent of the farms had tax liability between $1,000 and $1,999. Sixty percent of these had IC used of $1,000 to $1,999, while seven percent had less than $1,000 of IC to use and 33 percent had no IC. In the three groups with higher tax liabilities before IC, 75, 60 and 100 percent, had no IC to use against this tax liability.

Those farmers with the higher tax liabilities before IC are more likely not to have IC to offset the tax bill. The reason is that tax liabilities on these farms in years prior to 1989 have used up all or most of the IC. Thus, NYTRA 87 increases the diversity in the level of taxes paid by New York farmers. Many of those with profitable incomes will see their tax bills increase sharply as their depreciation deduction declines sharply and they have no IC to offset the increase. Farms with more modest incomes will offset much of the temporarily higher tax by using more IC.

Table 16. Use of IC in 1989 related to tax before credits, 120 New York Dairy Farms

Investment Credit Used ($)	Tax before investment credit ($): Zero	$1 to 1000	1000 to 1999	2000 to 2999	3000 to 3999	4000 to 4999
	Percent of all farms					
	30	49	13	3	4	1
	Percent of farms in category					
Zero	100	19	33	75	60	100
$1 to $ 999	0	81	7	0	0	0
1,000 to 1,999	0	0	60	0	0	0
2,000 to 2,999	0	0	0	25	0	0
3,000 to 3,999	0	0	0	0	40	0
4,000 to 4,999	0	0	0	0	0	0

FACTORS AFFECTING TAXES AND CREDITS

This section considers the relationship of farm size (milk sales), farm profitability and New York taxable income to income taxes and credits in 1985, 1989 and equilibrium.

Relationship of Dairy Farm Size to Income Taxes and Credits

The only measure of farm size available from the data for the 120 dairy farms was dollars of 1985 milk sales. The farms were sorted into four groups by milk sales as shown in Table 17.

1985

Neither net farm income (as defined in Table 17) nor New York taxable income was strongly related to level of milk sales. Regular tax before credits, after credits, minimum tax and total tax each increased with level of milk sales per farm, but the increases were not dramatic.

1989

Based on the calculations for 1989, income tax before IC increased as level of milk sales increased, but the biggest difference was at the highest level of milk sales (Table 18). Tax after IC also tended to increase with milk sales but again the largest change was at the highest level of milk sales. The reader is reminded that all the IC used is from carryovers to 1989.

Equilibrium

In equilibrium, income tax liability increases with milk sales but not dramatically (Table 19). The lower part of the table shows the effect of elimination of investment credit, assuming that investment credit would continue to be earned at the average 1981-85 level and IC were not eliminated by NYTRA 1987.

Table 17. New York Tax by level of milk sales, 120 New York Dairy Farms, 1985

Item	Level of milk sales: Under $120,000	$120,000 to 159,999	$160,000 to 199,999	$200,000 and over
Number of farms	39	31	27	23
Net Farm Income*	$9,412	$8,667	$10,375	$11,596
NY Taxable Income	351	4,167	-1,823	4,951
Regular Tax before IC	445	498	556	939
Regular Tax after IC	124	160	236	261
Minimum Tax	6	61	136	180
Total Tax	130	221	372	441

*Net farm income is net farm profit from Schedule F plus gains from Form 4797 plus 100% of capital gain on sales of farm assets. This is not an accurate measure of actual net farm income because important items such as inventory changes are not included. However, it is the best measure of net farm income that can be obtained from an income tax return.

Table 18. 1989 New York Tax by level of milk sales, 120 New York Dairy Farms

Item	Level of milk sales: Under $120,000	$120,000 to 159,999	$160,000 to 199,999	$200,000 and over
Number of farms	39	31	27	23
NY Taxable Income	3,883	6,948	4,924	16,238
Regular Tax before IC	445	465	627	1,386
IC used	197	288	346	661
Regular Tax after IC	124	160	236	261

In summary, the relationship between farm size and New York taxes is modest. There is some increase in taxes as size increases but the increase is small. It appears that there is considerable variability in incomes for each size group.

Table 19. Equilibrium New York Tax by level of milk sales, 120 New York Dairy Farms,

Item	Level of Milk Sales: Under $120,000	$120,000 to 159,999	$160,000 to 199,999	$200,000 and over
Number of farms	39	31	27	23
NY Taxable Income	-3,820	1,258	-4,478	3,918
NY Income Tax	315	362	410	728
IC*	194	297	289	595
Tax after IC	121	65	121	133

*Investment credit if IC were continued rather than eliminated. This IC includes only the amount earned in the year of analysis (includes no carryover).

Relationship of Net Farm Income to Income Taxes and Credits

The farms were sorted into four groups by 1985 net farm income (defined as net farm profit plus Form 4797 gains plus 100% of Schedule D gains from sale of farm assets). The relationship between 1985 Net farm income and 1985, 1989 (the first year without new investment credit) and equilibrium taxes and credits are discussed below.

1985

New York taxable income, regular tax before IC, regular tax after IC and total tax were positively related to net farm income (Table 20). The relationships were not as strong as might be expected. The reason is that other sources of income such as off-farm wages affect the taxable income. In addition, the 60% capital gain deduction is not included in computing regular tax but is included in our definition of net farm income.

1989

The calculations for 1989 indicate that farms with higher net farm income tend to have higher tax before IC, IC used and tax after IC (Table 21). The relationships are not as strong as one might expect, due to factors such as non-farm wages. The 60% capital gain exclusion is no longer a factor in the

relationship because all the capital gain is included in taxable income. The importance of IC in reducing taxes will become smaller in years after 1989 as carryovers become smaller.

Equilibrium

Income tax liability increases with net farm income. The increases are large in percentage terms but not in absolute terms. The lower part of Table 22 shows the importance of the loss of investment credit.

Table 20. 1985 New York Tax by level of Net Farm Income, 120 New York Dairy Farms

Item	------- Net Farm Income ------- Less Than zero	Zero to $9,999	$10,000 to 19,999	$20,000 or more
Number of farms	24	29	37	30
Milk Sales	$170,609	$147,694	$151,043	$191,222
Net Farm Income	-15,488	5,339	13,639	29,827
NY Taxable Income	-23,678	-1,418	6,252	19,518
Regular Tax before IC	78	347	307	1,536
Regular Tax after IC	0	149	21	571
Minimum Tax	70	47	56	161
Total Tax	70	196	77	732

Table 21. 1989 New York Tax by level of Net Farm Income, 120 New York Dairy Farms

Item	----- 1985 Net Farm Income ----- Less Than zero	Zero to $9,999	$10,000 to 19,999	$20,000 or more
Number of farms	24	29	37	30
1989 NY Taxable Income	$-18,828	$1,373	$13,271	$26,476
New York Income Tax before IC	131	406	529	1,536
Investment Credit	126	177	455	548
Tax after IC	5	229	74	988

Table 22. Equilibrium New York Tax by level of 1985 Net Farm Income, 120 New York Dairy Farms,

Item	Net Farm Income: Less Than zero	Zero to $9,999	$10,000 to 19,999	$20,000 or more
Number of farms	24	29	37	30
Equilibrium NY Taxable Income	$-28,569	$-6,978	$4,815	$18,970
New York Income Tax	53	200	272	1,140
Investment Credit*	43	122	235	832
Tax after IC	10	78	37	308

*Investment credit if IC was continued rather than eliminated. This IC includes only the amount earned in the year of analysis (includes no carryover).

Relationship of 1985 New York Taxable Income to Tax and Credits

The 120 farms were sorted into four groups by level of 1985 New York taxable income. The average milk sales, net farm income, New York taxable income, tax and credits were computed for each group.

1985

The results for 1985 are shown in Table 23. There was little relationship between NY taxable income and farm size as measured by milk sales. There was a positive relationship between taxable income and net farm income. As would be expected, regular tax before and after credits increased as taxable income increased. Minimum tax also increased as taxable income increased but the differences between groups were not large.

1989

Income tax before and after investment credit increased as taxable income increased (Table 24). Investment credit used also increased, but not nearly as much as in the 1985 data. The reason is that in 1989, IC used was entirely from carryovers and the more profitable farms did not have enough carryover to be able to use as much IC as in 1985.

Equilibrium

In equilibrium, the NY tax increased as taxable income increased but at a somewhat lower level than 1989 because of the increase in the standard deduction and lowering of tax rates in 1991 compared to 1989. The lower part of table 25 shows the effect of the unavailability of IC to reduce tax.

Table 23. 1985 New York Tax by level of 1985 New York Taxable Income, 120 New York Dairy Farms

Item	Less Than zero	Zero to $7,499	$7,500 to 14,999	$15,000 or more
	---- New York Taxable Income ----			
Number of farms	32	37	23	28
Milk Sales	$160,380	$157,149	$162,253	$179,446
Net Farm Income	-8,684	11,249	14,120	25,697
NY Taxable Income	-26,843	2,950	11,234	24,962
Regular Tax before IC	0	107	563	1,873
IC Used	0	105	539	1,102
Regular Tax after IC	0	2	24	771
Minimum Tax	72	69	88	109
Total Tax	72	71	112	880

Table 24. 1989 New York Tax by level of 1985 New York Taxable Income, 120 New York Dairy Farms

Item	Less Than zero	Zero to $7,499	$7,500 to 14,999	$15,000 or more
	--- New York Taxable Income ---			
Number of farms	32	37	23	28
1989 NY Taxable Income	$-22,273	$9,986	$15,351	$30,837
New York Income Tax before IC	30	408	659	1,763
IC used	30	403	503	490
New York Income Tax after IC	0	5	156	1,273

Table 25. Equilibrium New York Tax by level of 1985 New York Taxable Income, 120 New York Dairy Farms

Item	--- New York Taxable Income --- Less Than zero	Zero to $7,499	$7,500 to 14,999	$15,000 or more
Number of farms	32	37	23	28
NY Taxable Income, Equilibrium	$-31,414	$876	$8,740	$22,537
New York Income Tax	3	129	469	1,274
Investment Credit*	3	120	372	898
Tax after IC	0	9	97	376

*Investment credit if IC were continued rather than eliminated. This IC includes only the amount earned in the year of analysis (includes no carryover).

TAXES PAID IN 1989 AND EQUILIBRIUM BY THOSE WITH TAXES OR NO TAXES IN 1985

This section analyzes taxes paid in 1989 and equilibrium by those farmers who paid no taxes and those who paid taxes in 1985. In 1985, 60 of the 120 farmers paid no taxes. Thirty-three (55 percent) of these had a tax before investment credit, but enough IC to reduce regular tax to zero. The other 60 paid either regular tax after investment credit (20 farmers) or minimum tax (50 farmers) or both.

Farms with a minimum tax in 1985 paid that tax almost entirely due to the capital gain exclusion on livestock sales. In 1989 and equilibrium no farm would have a minimum tax because the capital gain exclusion is eliminated. However, on these same farms the former capital gain exclusion would now be included in taxable income and could result in regular tax on farms that had no regular tax in 1985.

Farms with no tax in 1985

Of the 60 farms with no tax in 1985, five would have a tax in 1989, the first year with no new investment credit (Table 26). Since it was assumed that milk sales and other income would be at the same level as in 1985, any change in the tax bill is due to the effects of NYTRRA 1987 and TRA 1986. The average 1989 tax before IC was $315 and the average IC used was $272 leaving an average tax after IC of $43. Five farms did not have enough IC carryover to completely offset 1989 tax. Between 1989 and equilibrium, the number of farms with a tax bill will increase because investment credit carryovers will decline. In equilibrium, the average tax bill of the 60 farms with no tax in 1985 is $179. Under NYTRRA 1987, there would be no IC. The average tax bill on the 23 farms with a tax is $468.

Table 26. New York Tax in 1989 and Equilibrium, 60 New York Dairy Farms that paid no tax in 1985

Item	1985	1989		Equilibrium	
		60 farms	5 farms with tax	60 farms	23 farms with tax
Tax before IC	$ 291	$ 315	$ 795	$ 179	$ 468
IC used	291	272	279	0	0
Tax after IC	0	43	516	179	468
IC carryover	4,640	6,507	0	0	0

Farms with tax in 1985

Of the 60 farms with tax in 1985, 24 had a tax bill after credits in 1989, the first year with no new IC under NYTRRA 1987 (Table 27). Forty-nine had a tax before IC, but 25 of these had enough IC carryover to completely offset the tax. The average tax bill after IC for the 60 farms was $613 compared to $370 in 1985. A major reason for the larger average tax after IC is that, with no new IC, some farms did not have enough IC carryforward to offset the tax. The 24 farms with tax had an average tax of $1,532 before IC and $1,479 after IC. In the years after 1989, the average tax after IC will increase because of the reduction of investment credit carryovers.

In equilibrium, the average tax on the 60 farms that paid tax in 1985 is $676 compared to $370 in 1985. Fourteen farms have no NY tax due to the higher standard deduction. The average tax on the 46 farms with tax is $882.

Table 27. New York Tax in 1989 and Equilibrium, 60 New York Dairy Farms that paid tax in 1985

Item	1985	1989		Equilibrium	
		60 farms	24 farms with tax	60 farms	46 farms with tax
Tax before IC	$ 865	$1,027	$1,532	$ 676	$ 882
IC used	495	414	53	0	0
Tax after IC	370	613	1,479	676	882
IC carryover	4,089	5,417	0	0	0

SUMMARY AND CONCLUSIONS

The effects of NYTRRA 1987 will differ in the short run versus the long run. The short run is defined as the transition period from the old to the new law. The long run, which we call equilibrium, is defined as being after all assets are on the new depreciation schedule and investment credit is used up. The line of demarcation between the short run and the long run differs among farms and is dependent on how long the IC carryovers from 1988 and earlier last.

Short Run

In 1987 and 1988, the average tax after investment credit will be lower than in 1985 and 1986 when prior law was in effect. In 1987 and 1988, a higher percentage of the farms will pay no New York income tax and most of those who pay tax will pay less than in 1985 and 1986. There is a substantial increase in taxable incomes from 1986 to 1987, primarily due to the end of the 60 percent capital gain exclusion and slower depreciation. Tax before IC does not increase in proportion to the increase in taxable incomes because of widening of the tax brackets which substantially lowers the tax rate on a given level of taxable income. An increase in the IC used reduces the tax after IC to a level slightly below that in 1986. There is no minimum tax so the total tax, $159, in 1987 is lower than in 1986 ($246). In 1988, taxable incomes will decrease as a result of the increased personal exemptions and standard deduction which more than offset the decline in depreciation. However, in 1989 the decline in depreciation exceeds the increase in exemptions and deduction causing a substantial increase in taxable income.

Beginning in 1989 no new IC will be available and the percent of farms with no tax after IC will begin to decline as carryovers are exhausted. The average tax after credits will increase to $328. The tax will be more progressive as those farms with higher taxable incomes and no IC carryforward immediately begin to bear the full tax. Those with lower taxable incomes will continue to be able to offset the tax with IC for varying periods of time and those with negative taxable incomes will continue to pay no tax.

Long Run

When the effects of NYTRRA 1987 are fully phased in, the average tax paid by the 120 dairy farms ($428) will be higher than under prior law. The effects of the loss of the capital gain exclusion and the loss of investment credit will more than offset the effect of lower rates, higher personal exemptions and the higher standard deduction. The percent of farms with no tax will be lower than under prior law and the percent with tax bills between $1000 and $2000 will increase.

If investment credit were retained, the average tax in equilibrium ($109) would be about one-fourth of what it will be without IC and about 40 percent of the level under prior law.

Factors Affecting Tax Liability

While the larger farms, as measured by milk sales, paid somewhat more tax in 1985, 1989 and equilibrium, the relationship is not strong because farm profitability is not closely related to farm size on this group of farms and because of other sources of taxable income. There is a stronger relationship

between net farm income (defined as net farm profit from Schedule F plus 4797 gains plus 100% of capital gains from sale of farm assets) and New York tax and the relationship is stronger in equilibrium than in 1985. As would be expected, there is a strong relationship between 1985 taxable income and tax. This relationship is stronger in 1989 and equilibrium than in 1985. In 1989 those with lower taxable incomes offset all or most of the tax with IC carryover while those with higher taxable incomes have little or no IC carryover to use. In equilibrium, those with low taxable incomes pay little tax and those with higher incomes pay the full tax bill because there is no IC to be applied to the tax.

ADDENDUM

The New York Tax Reform and Reduction Act of 1987 eliminated investment credit as a credit against the New York personal income tax effective after December 31, 1988. Subsequent to the time that the research reported thus far in this bulletin was completed (and apparently partly due to this research), the elimination of investment credit against the personal income tax was reversed by the Business Tax Reform and Rate Reduction Act of 1987 (BTRA 1987). The investment credit against the personal income tax is four percent, rather than the previous six percent, for acquisitions after December 31, 1986. The carry forward period for unused investment credit which was unlimited under prior law was reduced by BTRA 1987. All IC earned in tax years beginning before 1987 may be carried forward to tax years beginning before 1994. Investment credit earned after 1986 may be carried forward seven years. This section reports the impact of the reinstatement of investment credit in the Business Tax Reform and Rate Reduction Act of 1987.

Equilibrium

Equilibrium investment credit was computed using a four percent rate on average 1981-85 acquisitions on each farm. The average investment credit that would be earned is $762. The average amount of credit that would be usable against the equilibrium tax is $255, leaving an average tax after investment credit of $173 (Table 28). Thus the re-introduction of investment credit at the four percent rate saves the average farm in this study $255 per year or 60 percent of the average tax bill that would have been paid if elimination of investment tax credit had not been overturned.

Table 28. Estimated New York Income Taxes paid under Federal TRA 1986 and BTRA 1987, 120 New York Dairy Farms, Equilibrium with four percent investment credit

New York income tax before investment credit (from table 3)	$428
Minus: Investment credit at 4 percent	255
New York Income tax after investment credit	$173

The importance of the reinstatement will be much greater on the farms with higher taxable incomes. As shown in Table 29, where the 120 farms are sorted by level of 1985 taxable income, tax before investment credit is strongly related to taxable income. Investment credit used is also related to level of taxable

income. Tax after investment credit is greater on the farms with higher levels of taxable income, but the reinstatement of investment credit at four percent will reduce the tax bill more on the farms with higher levels of taxable income. However the net tax bill will be greated with four percent IC than it would have been if the six percent level had been retained (see Table 25 for comparison).

Table 29. Equilibrium New York Tax by level of 1985 New York Taxable Income, 120 New York Dairy Farms, four percent investment credit.

	--- New York Taxable Income ---			
Item	Less Than zero	Zero to $7,499	$7,500 to 14,999	$15,000 or more
Number of farms	32	37	23	28
NY Taxable Income, Equilibrium	$-31,414	$876	$8,740	$22,537
Investment Credit Earned	1,004	593	735	733
New York Income Tax	3	129	469	1,274
Investment Credit Used	3	113	327	670
Tax after IC	0	16	142	604

The Transition Period

The major difference in the transition period from prior law to equilibrium as a result of BTRA 1987 (rather than NYTRRA 1987) is due to the effects of the restoration of investment credit, but at a lower rate than pre-1987. IC at 4 percent rather than 6 percent in 1987 and 1988 will tend to increase taxes in those years while the continuation at four percent in 1989 and later will tend to lower taxes.

The tax calculations for the average of the 120 farms for 1985 through 1989 are shown in Table 30. The average taxes after IC are $208, $189, and $228, in 1987, 1988 and 1989, respectively. If BTRA 1987 had not become law, the average tax bills in the same three years would have been $159, $189, and $328 (see table 9 for detailed data under the provisions of NYTRRA 1987).

Conclusion

While the BTRA 1987 will result in an increase in the average New York tax bills on dairy farms in 1987 and 1988 (compared to NYTRRA 1987) because of the reduction in the investment credit from six to four percent, in the longer run tax bills will be lower than if BTRA had not been passed. In addition, the average tax bills of these 120 dairy farms will be lower in both the short and long run than if NYTRRA and BTRA had not become law.

Table 30. Income tax before IC, IC used, tax after IC and IC carryover, average of 120 New York Dairy Farms, 1985-1989 under the provisions of the Business Tax Reform and Rate Reduction Act of 1987.

	Actual	Projected			
	1985	1986	1987	1988	1989
NY taxable income	$1729	$1216	$8376	$6620	$7277
Regular Tax before IC	578	512	693	576	667
IC Used	393	349	485	387	439
Tax after Credits	185	163	208	189	228
Plus: Min. Tax	83	83	NA	NA	NA
Total Tax	268	246	208	189	228
IC carryover to next year	$4365	$5114	$5347	$5677	$5958

References

Conrad, Jeffrey, "An Analysis of the Potential Effects of Federal Tax Reform on Taxes Paid by New York Dairy Farmers," MS thesis in preparation, Department of Agricultural Economics, Cornell University, 1987.

Appendix Table 1. New York Tax Rate Schedules, Joint Filers

(1) For taxable years beginning in 1987

If the New York taxable income is:	The tax is:
Not over $1,700	2% of the New York taxable income
Over $1,700 but not over $5,000	$34 plus 3% of excess over $1,700
Over $5,000 but not over $8,300	$133 plus 4% of excess over $5,000
Over $8,300 but not over $11,700	$265 plus 5% of excess over $8,300
Over $11,700 but not over $15,000	$435 plus 6% of excess over $11,700
Over $15,000 but not over $18,300	$633 plus 7% of excess over $15,000
Over $18,300 but not over $23,300	$864 plus 8% of excess over $18,300
Over $23,300	$1,264 plus 8.75% of excess over $23,300

(2) For taxable years beginning in 1988

If the New York taxable income is:	The tax is:
Not over $6,000	3% of the New York taxable income
Over $6,000 but not over $10,200	$180 plus 4% of excess over $6,000
Over $10,200 but not over $14,600	$348 plus 5% of excess over $10,200
Over $14,600 but not over $18,800	$568 plus 6% of excess over $14,600
Over $18,800 but not over $24,800	$820 plus 7% of excess over $18,800
Over $24,800 but not over $34,000	$1,240 plus 8% of excess over $24,800
Over $34,000	$1,976 plus 8.375% of excess over $34,000

(3) For taxable years beginning in 1989

If the New York taxable income is:	The tax is:
Not over $11,000	4% of the New York taxable income
Over $11,000 but not over $16,000	$440 plus 5% of excess over $11,000
Over $16,000 but not over $22,000	$690 plus 6% of excess over $16,000
Over $22,000 but not over $26,000	$1,050 plus 7% of excess over $22,000
Over $26,000	$1,330 plus 7.875% of excess over $26,000

Appendix Table 2. New York Tax Rate Schedules, Single Filers

(1) For taxable years beginning in 1987

If the New York taxable income is:	The tax is:
Not over $1,000	2% of the New York taxable income
Over $1,000 but not over $3,000	$20 plus 3% of excess over $1,000
Over $3,000 but not over $5,000	$80 plus 4% of excess over $3,000
Over $5,000 but not over $7,000	$160 plus 5% of excess over $5,000
Over $7,000 but not over $9,000	$260 plus 6% of excess over $7,000
Over $9,000 but not over $11,000	$380 plus 7% of excess over $9,000
Over $11,000 but not over $14,000	$520 plus 8% of excess over $11,000
Over $14,000	$760 plus 8.75% of excess over $14,000

(2) For taxable years beginning in 1988

If the New York taxable income is:	The tax is:
Not over $3,000	3% of the New York taxable income
Over $3,000 but not over $5,100	$90 plus 4% of excess over $3,000
Over $5,100 but not over $7,300	$174 plus 5% of excess over $5,100
Over $7,300 but not over $9,400	$284 plus 6% of excess over $7,300
Over $9,400 but not over $12,400	$410 plus 7% of excess over $9,400
Over $12,400 but not over $17,000	$620 plus 8% of excess over $12,400
Over $17,000	$988 plus 8.375% of excess over $17,000

(3) For taxable years beginning in 1989

If the New York taxable income is:	The tax is:
Not over $5,500	4% of the New York taxable income
Over $5,500 but not over $8,000	$220 plus 5% of excess over $5,500
Over $8,000 but not over $11,000	$345 plus 6% of excess over $8,000
Over $11,000 but not over $13,000	$525 plus 7% of excess over $11,000
Over $13,000	$665 plus 7.875% of excess over $13,000